

AR43

fe

ANNUAL
REPORT
1965

FINLAYSON ENTERPRISES LTD.

To the Shareholders of

FINLAYSON ENTERPRISES LTD.

Your directors present herewith the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1965. The improvement noted in the 1964 report has continued. Net profit after all charges amounted to \$132,078, the second largest in the history of your Company, which compares with \$74,673 in 1964.

The Stuart Company provided the major portion of the profits. This Company's Trinidad subsidiaries had a very successful year. The gross profits for the remaining divisions and subsidiaries were, in the main, satisfactory. The Griffiths-Kerr division and Palmers Limited had increased sales and profits. The Grover loss was cut substantially and this Company is now breaking even.

Funds provided through profits from operations and the sale of certain investments caused a marked improvement in the financial position of your Company. Current bank loans declined \$51,000 and deferred loans were cut by \$100,000. As a result the net worth rose from \$376,811 to \$500,761, the highest level since 1961.

Our budget forecasts point to another good year in 1966.

R. W. FINLAYSON

President.

TORONTO, ONTARIO, MONDAY, MARCH 7, 1966

FINLAYSON ENTERPRISES LTD. AND SUBSIDIARIES

Consolidated Balance Sheet (With comparative figures for 1964)

ASSETS

	1965	1964
CURRENT		
Cash on Hand and in Banks	\$ 25,608	\$ 55,681
Accounts Receivable, less allowance for doubtful accounts	465,620	484,693
Merchandise Inventories, at lower of cost and market	821,571	680,776
Cash Value of Life Insurance Policies	26,283	25,194
Prepaid Expenses	25,600	14,155
Corporation Income Taxes Refundable	52	2,049
Due from Foreign Subsidiary, not consolidated	—	3,977
TOTAL CURRENT ASSETS	<u>\$1,364,734</u>	<u>\$1,266,525</u>
 INVESTMENT IN SHARES OF PRIVATE COMPANY—at cost	 \$ —	 \$ 60,000
 INVESTMENT IN FOREIGN SUBSIDIARIES (Not Consolidated)—Note 6	 <u>\$ 19,441</u>	 <u>\$ 7,464</u>
 FIXED		
Land, Buildings, Equipment, Automotive Equipment and Leasehold Improvements—at cost	\$ 503,043	\$ 485,987
Less: Accumulated Depreciation	217,945	187,749
TOTAL FIXED ASSETS	<u>\$ 285,098</u>	<u>\$ 298,238</u>
 Approved on behalf of the Board. R. W. FINLAYSON, <i>Director</i> G. A. BODDY, <i>Director</i>	 <u>\$1,669,273</u>	 <u>\$1,632,227</u>

AUDITORS' REPORT

We have examined the Consolidated Balance Sheet of FINLAYSON ENTERPRISES LTD. and Subsidiary Companies as at 31st December 1965 and the Consolidated Statements of Earned Surplus and of Profit and Loss for the year ended on that date. Our examination of the financial statements of Finlayson Enterprises Ltd. and those Subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other Subsidiaries including those not consolidated.

In our opinion, the above Consolidated Balance Sheet and accompanying Consolidated Statements of Earned Surplus and of Profit and Loss present fairly the financial position of the Companies as at 31st December 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

JAMES M. DUNWOODY & CO.
Chartered Accountants

TORONTO, ONTARIO, 15th February, 1966.

ENTERPRISES LTD.

COMPANIES

as at 31st December 1965
(at 31st December 1964)

LIABILITIES

	1965	1964
CURRENT		
Bank Loan—(Secured)	\$ 200,000	\$ 251,000
Accounts Payable and Accrued Charges	480,191	419,589
Provision for Income and Other Taxes	32,184	34,827
Due to Foreign Subsidiary, not Consolidated	6,137	—
TOTAL CURRENT LIABILITIES	<u>\$ 718,512</u>	<u>\$ 705,416</u>
DEFERRED AND SECURED		
6% Loan	<u>\$ 450,000</u>	<u>\$ 550,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL		
<i>Authorized:</i>		
16,133 Class "A" Shares without nominal or par value		
100,000 Class "B" Shares without nominal or par value		
600,438 Class "C" Shares of par value \$1.00 each, of which 19,962 shares have been issued and redeemed		
<i>Issued and Fully Paid:</i>		
16,133 Class "A" Shares }	\$ 221,233	\$ 221,233
49,934 Class "B" Shares }		
EARNED SURPLUS, as per Statement attached		
Unappropriated	\$ 251,236	\$ 135,616
Restricted as to Distribution to Shareholders	28,292	19,962
	<u>\$ 279,528</u>	<u>\$ 155,578</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 500,761</u>	<u>\$ 376,811</u>
	<u>\$1,669,273</u>	<u>\$1,632,227</u>

NOTES:

- The assets, liabilities, income and expenses of two foreign subsidiaries are consolidated at the rates of exchange in effect at 31st December 1965.
- The company has guaranteed the indebtedness of one of its subsidiaries, not consolidated, up to the amount of \$95,000.
- The company has issued a debenture to its bankers, representing a floating charge on the assets of the company, for indebtedness to the bank up to \$1,000,000.
- Options to certain key executives are outstanding with respect to 9,500 Class "B" shares exercisable at \$5.00 per share until 22nd January 1968 and a further 2,500 Class "B" shares are set aside for sale or option to executives.
- The company and some of its subsidiaries are involved in certain legal actions but the companies have, with the advice of counsel, taken the position that the claims against them have no justification.
- It is the company's policy not to consolidate subsidiaries which are partially owned. The investment, therefore, in two subsidiaries in Trinidad is stated at the cost of \$40,449 less an adjustment for the parent's proportion of the subsidiaries' losses less profits since acquisition which valuation represents the parent's proportion of the tangible net worth of the subsidiaries at 31st December 1965. Losses less profits of the subsidiaries have been fully provided for and the profit for the year ended 31st December 1965 has been included in the Consolidated Statement of Profit and Loss.
- Dividends on the Class "B" shares, or any other shares junior to the Class "A" shares, may not be declared unless all cumulative preferential dividends of 90¢ per share per annum on the Class "A" shares have been paid or set aside for payment and unless either (i) the consolidated current assets of the company and its subsidiaries after deducting therefrom the amount of the dividend to be declared, are not less than $1\frac{3}{4}$ times the amount of the consolidated current liabilities, or (ii) the consolidated current assets of the company and its subsidiaries, after deducting therefrom the consolidated current liabilities and the amount of the dividend to be declared, are not less than \$500,000. The terms "consolidated current assets" and "consolidated current liabilities" are defined in the share conditions.

FINLAYSON ENTERPRISES LTD.
AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss for Year Ended 31st December 1965
(With comparative figures for year ended 31st December 1964)

	1965	1964
SALES (Net).....	\$ 3,995,048	\$ 3,839,442
Profit on Operations for the year, before accounting for the undernoted items.....	\$ 251,549	\$ 266,560
Add: Income from Investments.....	\$ 4,550	\$ 6,080
Parent's proportion of profit of Subsidiaries not consolidated.....	11,978	2,192
	\$ 16,528	\$ 8,272
	\$ 268,077	\$ 274,832
Less: Directors' Fees.....	\$ 2,362	\$ 2,200
Legal Fees.....	5,056	6,225
Executive Remuneration.....	79,500	78,667
Interest on Indebtedness not maturing within one year.....	33,000	33,000
Provision for Depreciation and Amortization of Fixed Assets.....	38,426	36,719
	\$ 158,344	\$ 156,811
Profit before providing for Income Taxes.....	\$ 109,733	\$ 118,021
Provision for Income Taxes.....	33,979	35,768
Operating Profit after Income Taxes.....	\$ 75,754	\$ 82,253
Add: Gain on Sale of Investments.....	\$ 55,000	\$ —
Profit on Disposal of Capital Assets.....	1,324	—
	\$ 56,324	\$ —
	\$ 132,078	\$ 82,253
Less: Adjustment of Prior Year's Operations.....	—	7,580
NET PROFIT—carried to Earned Surplus.....	\$ 132,078	\$ 74,673

Consolidated Statement of Earned Surplus for Year Ended 31st December 1965
(With comparative figures for year ended 31st December 1964)

UNAPPROPRIATED		
Balance at beginning of year.....	\$ 135,616	\$ 76,779
Net Profit, carried from Statement of Profit and Loss.....	132,078	74,673
	\$ 267,694	\$ 151,452
Less: Cash Dividends paid during year—		
Class "A" Shares.....	\$ 13,713	\$ 12,907
Life Insurance Premiums (Net).....	2,745	2,929
	\$ 16,458	\$ 15,836
Balance at end of year.....	\$ 251,236	\$ 135,616
RESTRICTED AS TO DISTRIBUTION TO SHAREHOLDERS		
Balance at beginning of year.....	\$ 19,962	\$ 19,962
(Surplus arising from redemption of Class "C" Shares under Section 61 of the Companies Act)		
Add: Compensation received by foreign subsidiary for disturbance to business operations due to acquisition by Government of portion of leased land.....	8,330	—
Balance at end of year.....	\$ 28,292	\$ 19,962
Balance at end of year, of which \$7,088 as at 31st December 1965 is tax-paid undistributed income, as defined in the Income Tax Act.....	\$ 279,528	\$ 155,578

FINLAYSON ENTERPRISES LTD.

DIRECTORS

R. W. FINLAYSON
H. SUTHERLAND

J. C. W. ARMSTRONG
G. A. BODDY
D. A. McINTOSH, Q.C.

R. H. HOPPE
H. T. O'NEILL

OFFICERS

<i>President</i>	- - - - -	R. W. FINLAYSON
<i>Vice-President</i>	- - - - -	G. A. BODDY
<i>Vice-President</i>	- - - - -	R. H. HOPPE
<i>Secretary</i>	- - - - -	H. SUTHERLAND
<i>Treasurer</i>	- - - - -	R. D. WILLIAMSON

SUBSIDIARIES

FOOD FLAVOURS
STUART BROTHERS LIMITED & SUBSIDIARIES

PRECAST CONCRETE PRODUCTS
GROVER CAST STONE COMPANY LIMITED

DRUGS & TOILETRIES
W. LLOYD WOOD CO. LIMITED

SMOKERS' REQUISITES
ALFRED DUNHILL OF LONDON, LIMITED

TOILETRIES & COSMETICS
PALMERS LIMITED

REGISTRAR AND TRANSFER AGENT

CANADA PERMANENT TRUST COMPANY
WINNIPEG, MANITOBA

BANKERS

THE BANK OF NOVA SCOTIA
TORONTO, ONTARIO

